

SUMMARY ANALYSIS OF AMENDED BILL

Author: Kelley Analyst: Jeani Brent Bill Number: SB 200

Related Bills: See Prior Analysis Telephone: 845-3410 Amended Date: 07/30/97

Attorney: Doug Bramhall

Sponsor:

SUBJECT: Economic Development Area/Manufacturing Enhancement Area Employer's Hiring Credit/Wages Paid to Qualified Disadvantaged Individual in Area

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

☒ FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

☒ REMAINDER OF PREVIOUS ANALYSES OF BILL AS INTRODUCED January 27, 1997, AND AMENDED April 14, 1997, June 3, 1997, and July 11, 1997, STILL APPLY.

☒ OTHER - See comments below.

SUMMARY OF BILL

Under the Government Code, this bill would authorize a new type of economic development area called "Manufacturing Enhancement Areas" (Areas). This bill would require the Trade and Commerce Agency (TCA) to designate two "Areas" in addition to the 39 enterprise zones. This bill would specify that TCA could designate only cities that meet certain additional criteria. This bill would specify that, to qualify for the tax credit, businesses located in these "Areas" must hire at least 50% of their workforce from the county in which the "region" is located.

Under the Revenue and Taxation Code, this bill would allow businesses operating in "Areas" a hiring credit similar to the hiring credit allowed to businesses operating in enterprise zones.

SUMMARY OF AMENDMENT

The July 30, 1997, amendments made the following changes:

1. Replaced the term "region" with "Manufacturing Enhancement Area."
2. Specified a beginning date of the designation of January 1, 1998.
3. Removed the criterion that the designated area be located in a county with a

DEPARTMENTS THAT MAY BE AFFECTED:

___ STATE MANDATE

___ GOVERNOR'S APPOINTMENT

Department Director Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
___ NA ___ NAR
___ PENDING

Agency Secretary Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
___ NA ___ NAR
DEFER TO _____

GOVERNOR'S OFFICE USE

Position Approved _____
Position Disapproved _____
Position Noted _____

Department/Legislative Director

Date

Agency Secretary

Date

By:

Date:

population that is at least 51% non-Anglo.

4. Required TCA to audit at the end of the fifth and tenth year of operation to determine the effectiveness of the program. The bill makes continuation of the designation contingent on evidence of success of the program; however, the bill includes an unqualified provision that the designation is binding for 15 years.
5. Changed the workforce criterion to provide that, to qualify for the hiring credit, businesses located in these Areas must hire at least 50% (instead of 30%) of their workforce from the county in which the Area is located. The amendment also provides that of the 50%, at least 30% (thus, 15% of the workforce) of the local hires must be qualified disadvantaged individuals, as defined in the bill. The prior version of the bill would have required 30% of all hires to be qualified disadvantaged individuals who, at the time of hire, are residents of the county in which the Area is located.

Except for the changes noted above and the technical considerations noted below, the department's analysis of the bill as introduced and as amended April 14, 1997, June 3, 1997, and July 11, 1997, still apply.

TECHNICAL CONSIDERATIONS

This bill contains hiring credit provisions in both the Personal Income Tax Law and the Bank and Corporation Tax Law. In addition, for double-joining purposes, this bill contains a second set of hiring credits, which would limit the taxpayer to one credit for qualified wages. These double-joining provisions are similar to a change for the Los Angeles Revitalization Zone (LARZ) and Local Agency Military Base Recovery Area (LAMBRA) hiring credits proposed in Assembly Bill 1040. However, the change to the workforce criterion made by the July 30, 1997, amendment is contained in only one of these hiring credit provisions. The attached amendments would include the workforce change in each of the hiring credit provisions.

Amendment 1 also would correct a typographical error.

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO SB 200
As Amended July 30, 1997

AMENDMENT 1

On page 12, modify lines 10 through 15, as follows:

(B) At ~~least 30~~ least 50 percent of the qualified taxpayer's work force hired after the designation of the Manufacturing Enhancement Area is composed of ~~qualified disadvantaged~~ individuals who, at the time of hire, are residents of the county in which the Manufacturing Enhancement Area is located.

(C) Of this percentage of local hires, at least 30 percent shall be qualified disadvantaged individuals.

AMENDMENT 2

On page 38, modify lines 19 through 24, as follows:

(B) At ~~least 30~~ least 50 percent of the qualified taxpayer's work force hired after the designation of the Manufacturing Enhancement Area is composed of ~~qualified disadvantaged~~ individuals who, at the time of hire, are residents of the county in which the Manufacturing Enhancement Area is located.

(C) Of this percentage of local hires, at least 30 percent shall be qualified disadvantaged individuals.

AMENDMENT 3

On page 44, modify lines 16 through 21, as follows:

(B) At ~~least 30~~ least 50 percent of the qualified taxpayer's work force hired after the designation of the Manufacturing Enhancement Area is composed of ~~qualified disadvantaged~~ individuals who, at the time of hire, are residents of the county in which the Manufacturing Enhancement Area is located.

(C) Of this percentage of local hires, at least 30 percent shall be qualified disadvantaged individuals.